

POWERLINE

WINTER 2008

NEWSLETTER OF THE SOUTHEASTERN POWER ADMINISTRATION

CALENDAR OF EVENTS



NRECA Annual Conference

February 22-27, 2008
Anaheim, CA

SERC Spring Conference

February 27-29, 2008
Savannah, GA

SERC System Operator Conferences

April 8-10, 2008
Atlanta, GA

April 22-24, 2008
Atlanta, GA

May 13-15, 2008
Charlotte, NC

SERC Compliance Seminar

April 15-16, 2008
Atlanta, GA

SEPA's Administrator Takes Position at SWPA

Jon Worthington, Administrator, accepted the Administrator's position at Southwestern Power Administration in Tulsa, OK. Jon's last day at Southeastern was January 23. The vacancy announcement for Southeastern's Administrator's job opened December 13, 2007, and closed January 17, 2008.

Budget Status

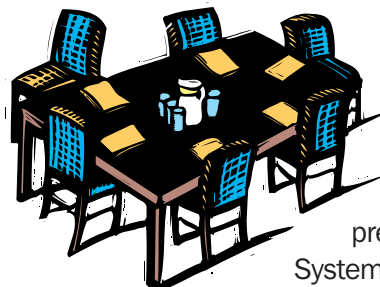
After several Continuing Resolutions, President Bush signed into law a consolidated Appropriations Bill (P.L. 110-161) on December 26, 2007, to fund a significant portion of the Federal Government for the remainder of FY 2008. Southeastern's appropriation provides \$6,463,000 (\$5.6 million in FY07) in Program Direction funding, which was later reduced by an across-the-board rescission to \$6,404,000. Southeastern's Purchase Power and Wheeling program was authorized at \$48,413,000 (\$32.7 million in FY07), which is reimbursed to the Treasury through power receipts technically referred to as offsetting collections. The appropriation language includes the following:

"That, notwithstanding the provisions of 31 U.S.C. 3302, beginning in fiscal year 2008 and thereafter, such funds are received by the Southeastern Power Administration from any State, municipality, corporation, association, firm, district, or individual as advance payment for work that is associated with Southeastern's operation and maintenance, consistent with that authorized in Section 5 of the Flood Control Act of 1944, shall be credited to this account and be available until expended."

Southeastern thinks this language provides the agency with additional financing flexibility.

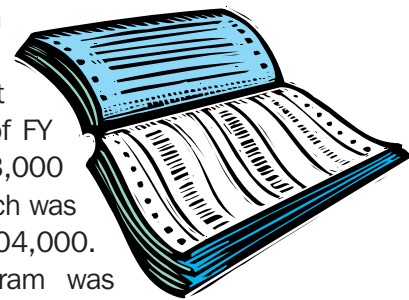
Hearing Scheduled for Power Marketing Administrations

The Power Marketing Administrations are tentatively scheduled to have a hearing on February 26, 2008, with the House Natural Resources Subcommittee on Water and Power to discuss the FY 2009 budgets.



Alliance Meeting Held

The Southeastern Federal Power Alliance meeting was held December 12 in Atlanta. Alliance participants included COE officials from Headquarters, the South Atlantic Division, Mobile, Wilmington, Savannah, and Nashville Districts, preference customers in the Georgia-Alabama-South Carolina System, SEPA and PMLO representatives. The next meeting is tentatively scheduled for April 2008. Announcements will be forwarded once a date has been determined. To request a copy of the presentations made by the Corps on drought conditions, contact Joel Seymour: 706.213.3810, joels@sepa.doe.gov.



Deputy Secretary, DOE, Announces Resignation

Deputy Secretary of Energy, Clay Sell, submitted his resignation effective February 29, 2008. Mr. Sell was with the Department of Energy for three years and was a strong supporter of the PMAs, advocating initiatives benefiting the customers. Secretary Bodman emphasized his intentions to stay on through the end of the Administration's term.



Cumberland System Interim Rate Extension and Rate Adjustment

Notice of a proposed rate extension of the interim rate schedules for the sale of energy from the Cumberland System was published in the Federal Register on October 24, 2007 (72 Fed.Reg. 60356). The interim rate schedules were approved by the Administrator for a one-year period, from February 25, 2007, to February 24, 2008. With the extension, Southeastern will continue to use the interim rate schedules to September 30, 2008. No comments of the proposed extension were received by the November 23, 2007, deadline. Southeastern expects to propose a rate adjustment for the Cumberland System in the near future. The new rate schedules will be proposed for the period October 1, 2008, to September 30, 2013.



30-Year Contracts

Southeastern continues to work with customers and Corps of Engineers officials in the Cumberland System to develop thirty (30)-year contracts in order to provide funding for the rehabilitation of all the projects in the Cumberland System.

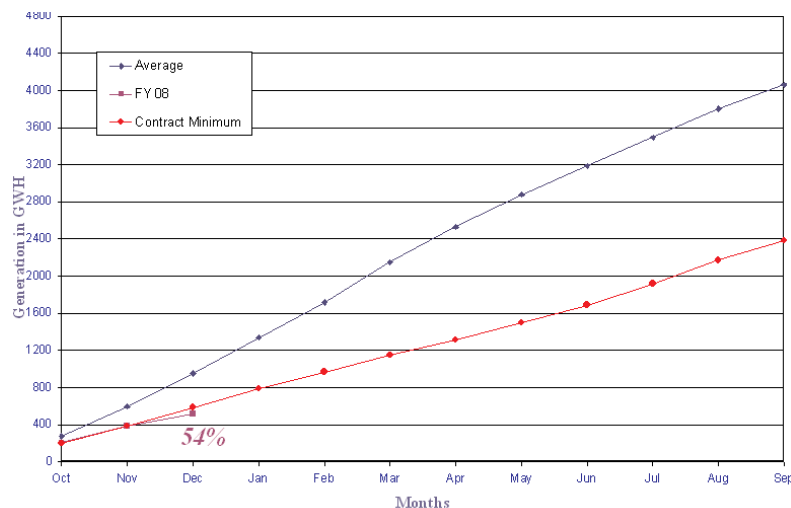


Kerr-Philpott Customer Funding

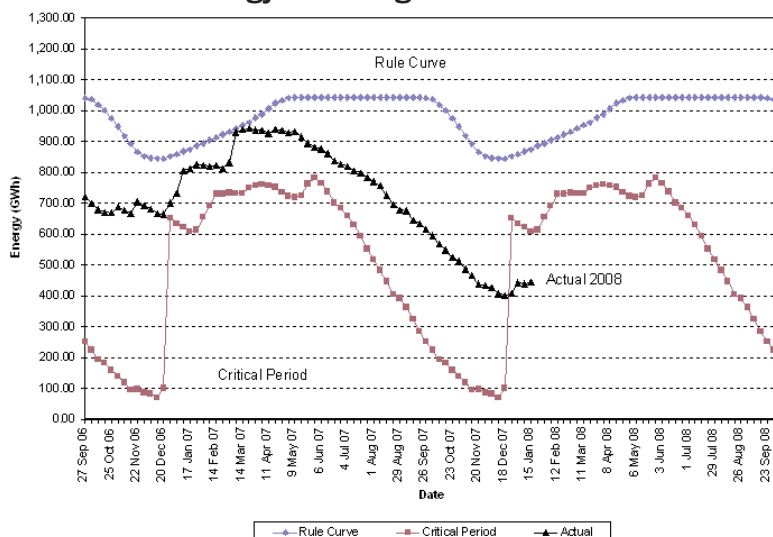
Southeastern sent out a Funding Agreement early in May 2007 to all preference customers in the Kerr-Philpott System. Currently, forty-eight (48) Kerr-Philpott preference customers have agreed to participate. This voluntary Funding Agreement will allow participating customers to fund specific work items at the Corps of Engineers' projects in the Kerr-Philpott System, subject to review by a Project Review Committee (PRC). The PRC representatives are as follows: J.W. Smith, Darlene Heard, and Douglas Spencer from Southeastern; Brian Sapp, Jay Palmer, and Rick Carroll from the Corps; and Duane Dahlquist (Blue Ridge Power Agency), Greg White (Northern Neck), and Brian Purvis (NCEMC) representing the preference customers. Customers may continue to sign up to participate in the Funding Agreement until the PRC approves the first work item, which is anticipated in Spring 2008.



GA-AI-SC System FY 08 Cumulative Net Generation



GEORGIA-ALABAMA-SOUTH CAROLINA SYSTEM Energy-In-Storage 2007 - 2008



PowerLine and other SEPA publications are posted on our website: www.sepa.doe.gov.

For more information contact Melissa Sease, Public Affairs Office (melissas@sepa.doe.gov), 706.213.3812.

Kerr-Philpott System Rates

Rate schedules for the Kerr-Philpott System provide for an annual adjustment to the capacity and energy charge based on transfers to plant-in-service for the previous fiscal year. For fiscal year 2007, about \$15,000,000 was transferred to plant-in-service. This results in an increase of \$0.15 per kilowatt per month to the capacity charge, and 0.60 mills per kilowatt-hour to the energy charge. For the period January 1, 2008, to December 31, 2008, the capacity charge will be \$2.52 per kilowatt per month, and the energy charge will be 10.06 mills per kilowatt-hour.



Corps of Engineers to Host Hydropower Workshop

The Corps of Engineers is hosting a Federal Hydropower Strategic Workshop, March 11-12, 2008, in Las Vegas, Nevada. The agenda

includes panel discussions with representatives from the Corps of Engineers, Bureau of Reclamation, Power Marketing Administrations, and preference customers. On the afternoon of March 10, a tour of Hoover Dam is scheduled.

For more information, contact Brian Sapp (404.562.5131, shelton.b.sapp@sad01.usace.army.mil) or Kamau Sadiki (202.761.4889, kamau.b.sadiki@hq02.usace.army.mil).

PLANT AVAILABILITY/CAPACITY UPDATE: OCTOBER-DECEMBER 2007

GA-AL-SC System Update

West Point #3 (39MW):

- Rewind work of the unit is continuing. The unit is scheduled to return to service in March 2008. Work will then begin on unit #2.

Allatoona #1 (35MW):

- Unit out of service due to transformer #1 failure.
- Contractor in the process of developing plans and specifications for modifications to the project switchyard. Plans should be completed by summer 2008.

George Rehab:

- The rehab work on unit #3 is currently underway and should be completed by October 2008.

Russell #5:

- Work continues on installation of improved thrust bearing oil delivery system and refurbishment of unit head gate.

Cumberland System Update

Wolf Creek Unit #4 (52MW):

- Rewind work has begun on unit #4. Contractor is removing windings, unit coolers are being rebuilt, and lead paint removal is taking place.

Center Hill:

- Unit #2 returned to service. Unit had been out due to an alignment problem.

Wolf Creek Seepage:

- The contractor is near completion of the upstream grout line. Once completed, a second line of grout will begin.
- The Corps expects to award the contract for the cutoff wall by May 2008. Work on the installation of the wall should begin by the end of 2008. Weekly progress report available online: [HYPERLINK](http://www.lm.usace.army.mil/WolfCreek)
<http://www.lm.usace.army.mil/WolfCreek>

Center Hill Seepage:

- Preparation for the seepage work is continuing. Construction to begin during spring 2008 and currently scheduled to be completed in 2014. Information on Center Hill seepage issue available on line: [HYPERLINK](http://www.lm.usace.army.mil/CenterHill)
<http://www.lm.usace.army.mil/CenterHill>

Customer Funded Basin Study:

- The contractor continues work on the Cumberland System Basin Study.
- The contractor has provided the PCC with a draft listing of system needs and a summary of opportunities. A revised report will be presented to the PCC in February 2008.

Kerr-Philpott System Update

Kerr Unit #2 (36MW):

- Rehab work on unit #2 almost complete. Testing of the unit has started and is scheduled to return to service in mid-February 2008.
- Rehab of unit #4 has begun and should be completed in July 2008.
- Station service unit work is continuing. Completion has been delayed due to a shaft alignment problem.

Jim Woodruff System Update

Unit Control and SCADA Systems:

- Installation work on the control and SCADA Systems continues. Work has been delayed due to component delivery problem. Work is scheduled to be completed in June 2008.
- Project peaking operation continues, provided project inflows exceed 6,000 cfs.